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SIPDIS

DEPT FOR NEA/NGA AND EUR/SE

SENSITIVE

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TAGS: [ETRD](#) [ELTN](#) [PREL](#) [TU](#) [IZ](#)

SUBJECT: Iraq: Turkish Foreign Trade's Questions on Reconstruction Levy, Truck Manifest System, Scrap Export Ban

Sensitive But Unclassified. Please Handle Accordingly.

REF: (A) Baghdad 181 (B) Ankara 1709

[1](#)1. (U) This cable contains action requests for the Dept/CPA. See para 12.

Summary:

[1](#)2. (SBU) Foreign Trade officials formally requested additional information on the implementation of the Iraq reconstruction levy on April 15, and suggested that it be collected at final destination rather than on the border to minimize disruption to Habur operations. The GOT also requested more information on the new truck manifest requirement and fee, and on scrap metal trade rules. Embassy requests the Department and CPA's response to Turkish inquiries on these subjects. Foreign Trade claims that throughput at Habur has reached record levels and exceeds the 3,700 truck per day target, but U.S. statistics indicate that crossings have remained below this target. End Summary.

[1](#)3. (SBU) In an April 9 meeting with Econoff, Sevket Ilgac, Deputy Director General for Agreements at the Turkish Foreign Trade Undersecretariat, posed technical questions on the Iraqi reconstruction levy, questioned the basis for a new Iraqi manifest fee, and requested a status report on a ban on trade in scrap metal. He also claimed that throughput at the Habur border crossing has reached record highs.

Questions on the Reconstruction Levy

[1](#)4. (U) Ilgac, to whom we had earlier sent the ref A press release on the April 15 implementation of the five percent reconstruction levy, passed Econoff a note (para 13) on implementation. In particular, Ilgac asked for details on how taxable value of imports will be determined, and whether it will simply be based on invoice value. He also asked whether the importer, rather than the exporter, would be responsible for paying the fee, as is usual worldwide. Ilgac urged that the levy not be collected at the border crossing, but at its final destination to avoid congestion at Habur. He also opined that most small importers would choose to pay the fee at each shipment, rather than using a monthly billing system.

[1](#)6. (SBU) Note: EUCOM, Defense Energy Supply Command (DESC) and PWC representatives told Adana Congen that they had spread word of the levy implementation and believe that the Turkish transportation community is becoming informed of the change. DESC reported rumors of Turkish "counter-levy or tax", but Foreign Trade made no mention of this. End Note.

[1](#)7. (SBU) Ilgac raised the practice by which the Kurdistan Democratic Party collects fees from Turkish drivers, and called for this to cease or at least for a reduction in fees charged.

Questioning the New Manifest Requirement

18. (U) Referring to a letter from the Iraqi Transportation Minister to his Turkish counterpart (para 15) announcing a new manifest requirement for trucks, Ilgac asked for further details and provided a note (para 14) on this subject. Ilgac said the Turkish side did not object to the documentary requirement, which is apparently aimed at enhancing security and preventing smuggling. However, the Turks do object to the USD 15 fee per truck, which is apparently not charged in exchange for insurance coverage or any other service. Ilgac maintained that such fees are prohibited by the prewar bilateral road transport agreement.

Scrap Metal Trade

19. (SBU) Ilgac complained that a single company in northern Iraq maintained an export monopoly on scrap metal and was charging exorbitant fees. Referring to the March trade talks in Ankara (ref B), he maintained that MFA Senior Advisor Ambassador Neumann had said that these exports were prohibited. Ilgac asked for confirmation, preferably in writing, that these exports were now illegal. Note: At the March talks, Foreign Trade had promised to ban scrap imports into Turkey. They asked that Iraqi officials send the GOT a letter confirming the Iraqi export ban, along with a copy of the relevant regulations, and asking the Turks to impose a corresponding ban on imports. End Note.

Foreign Trade Maintains Habur Crossings Up

110. (SBU) Econoff told Ilgac that we have had reports that throughput at Habur remains on average considerably below targeted levels, and this is apparently due to the fact that the crossing is not staffed on a 24/7 basis. Note: U.S. sources at Habur indicate an average of 2998 trucks crossing daily in the 30 days prior to April 10. End Note. Ilgac maintained that daily crossings at Habur had reached record high levels in recent weeks, claiming that traffic had ranged between 3,500 and 4,000 trucks per day on a number of days. He stated that 3,500 trucks daily should be considered the normal capacity limit. Higher throughput means loosened controls, with consequently higher budget losses to fuel smuggling. Ilgac maintains that, for security reasons and additional fees charged during these hours, very few truckers are willing to cross the border at night.

111. (U) On rail transport, Ilgac added that one fuel train was traveling to Iraq daily, and that the authorities were working to increase this to two trains daily in the next few months. Ilgac told us that Habur's Build-Operate-Transfer (BOT) modernization project is slated to begin in July.

Action Request

112. (U) Embassy requests detailed information which we can share with the GOT and Turkish exporters on how the reconstruction levy will be processed with respect to the Habur crossing. This is vital to minimizing or averting any disruption to the flow of vital supplies for Iraq. Embassy also requests background on the manifest fee and on scrap trade rules to answer Foreign Trade's inquiries on these subjects.

113. (U) Begin text Foreign Trade U/S Note Regarding the Reconstruction Levy:

The Reconstruction Levy will be imposed on certain goods to be imported into Iraq from all countries beginning as of April 15, 2004, at a rate of 5 percent of the taxable value of goods.

The necessary measures should be taken in order to prevent the congestion at the Habur-Ibrahim El-Khalil Gates. Within this framework, detailed information on the reconstruction levy implementation has to be given to the concerned companies.

According to international practice, customs duties have

to be paid by importer companies. Therefore, we would like to have a detailed explanation regarding the responsibilities of the Turkish exporter and transportation companies in this regard.

The collection of the Reconstruction Levy at the border gates will pave the way for longer waiting times for the goods to be cleared. In order to simplify the procedure, in accordance with international practice, the Reconstruction Levy should be collected at the custom point of destination of the goods rather than the customs gate.

End Text Reconstruction Note.

14. (U) Begin text Foreign Trade U/S Note Regarding the Iraqi Manifest System

According to the letter of the Iraqi Minister of Transportation Mr. Behnam Ziya Polis addressed to the Turkish Minister of Transportation Mr. Binali Yildirim, the Iraqi side would implement the manifest system as of April 2, 2004, with the aim of providing security and to prevent smuggling for all trucks, including fuel tankers.

Even though these manifest documents have to be considered as Customs Declaration Documents, in practice they are used as TIR carnets.

The manifest documents are being sold by the Iraqi Companies for USD 15 to the Turkish transportation companies in accordance with the authorization given by the Iraqi State Co. for Land Transportation.

It is very important to clear up whether the Iraqi State Co. for Land Transportation authorized such companies to issue these documents.

According to our preliminary investigations this amount is not charged in return of any service given by the Iraqi State Co. for Land Transportation.

15. (U) Begin text Polis/Yildirim Letter:

H.E. Mr. Binali Yildirim
Minister of Transportation
Ankara, Turkey

Excellency, it gives me the pleasure to extend our compliments and would like to bring to your Excellency's attention of the following:

In order to maintain full control regarding details of all goods imported through official border outlets from all the different aspects, particularly the security aspects and in order to put an end to smuggling, the competent Iraq authorities have decided to renew the application of the Iraqi Manifest system, and the non-persistence of trucks loaded with goods, including oil products from leaving or entering the border points without being accompanied with manifest documents, this procedure will commence as from 2 of April 2004.

From our own side, we have opened an Iraqi Office of Land Transportation at Abraham al Khaki customs point and we have instructed the said office of the above-mentioned regulations, namely of not permitting the entry or departure of trucks unless accompanied with manifest documents.

Would you kindly therefore inform the competent Turkish Authorities, the transportation companies, as well as Turkish border outlets of the new arrangements.

(Complimentary closing)
BEHNAM ZIYA POLIS, IRAQI MINISTER OF TRANSPORTATION

End text Polis/Yildirim letter.

16. (U) Baghdad minimize considered.
Edelman